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| **Council 2017Geneva, 15-25 May 2017** |  |
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| **Agenda item: ADM 9** | **Document C17/67-E** |
| **14 March 2017** |
| **Original: English** |
| Report by the Secretary-General |
| Improving the stability and predictability of the financial base of the Union |

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| SummaryIn its 2016 report on ITU, the Joint Inspection Unit (JIU) recommended (Recommendation 5) that “the Secretary-General should develop a comprehensive plan to improve the stability and the predictability of the financial base of the Union, integrating options for increasing revenues and cost-saving proposals, and present it to the Council for endorsement at its 2017 session.”Action requiredThe Council is invited **to** **consider** and **endorse** the plan as the basis for improving the stability and the predictability of the financial base of the Union, integrating options for increasing revenues and cost-saving proposals; and to consider the principles outlined in Annex 1.\_\_\_\_\_\_\_\_\_\_\_\_References[*C16/49*](http://www.itu.int/md/S16-CL-C-0049/en) *and* [*C17/50*](http://www.itu.int/md/S17-CL-C-0050/en) |

**1 Introduction**

In its 2016 report on ITU, the Joint Inspection Unit (JIU) recommended (Recommendation 5) that “the Secretary-General should develop a comprehensive plan to improve the stability and the predictability of the financial base of the Union, integrating options for increasing revenues and cost-saving proposals, and present it to the Council for endorsement at its 2017 session.”

The JIU made several related suggestions, including calling upon the secretariat to strengthen reporting as well as noting that ITU would benefit from a corporate resource mobilization strategy. To this end, the secretariat is reviewing current reporting methodologies and will enhance them where necessary to ensure that Member States have easily accessible, comprehensive information about the status of all financial contributions.

The JIU report highlighted that “the expenses of ITU have grown by 7.2% from CHF 608.2 million (2004-2007) to CHF 637 million (2012-2015, estimates) but have remained consistently lower than budgeted amounts.” This is in spite of growing demand for ITU to implement additional activities to support Member States. The JIU report further noted that “For many years, the Plenipotentiary Conference has stressed the need to increase the income of the Union… as the revenue generation plans have not yielded sufficient results, Member States have favoured active implementation of efficiency and cost-savings measures for improving the financial outlook of ITU.” By comparing the cumulative amount of the budgets for the period 2000-03 (CHF 674.6 million) with the forecast for 2016-2019 (CHF 635.7 million) there is a decrease of CHF 38.9 million, i.e. - 5.77 per cent. “Projections using the inflation rate of the OECD reveal a 20% budget diminution between the bienniums 2004-05 and 2014-15.”

A review of the current revenue situation is given in a CWG-FHR Information document
[CWG-FHR-INF 7/1](http://www.itu.int/md/S17-CLCWGFHRM7-INF-0001/en).

The present document is an initial response to JIU Recommendation 5. The plan outlined below takes into consideration the comments made by delegates at the CWG-FHR meeting in 2017. It will be further developed, updated, and enhanced in light of experience and feedback from Member States. It currently addresses the following aspects: resource mobilization strategy; sponsorship guidelines; revenue generation and savings; and diversifying financial support.

**2 Resource mobilization strategy**

As a first step towards a corporate resource mobilization strategy, the Council is invited to consider the principles outlined in [**Annex 1**](#Annex1).

**3 Sponsorship guidelines**

As regular budget resources have tightened, ITU has placed increased emphasis on raising funds for event-related activities through sponsorships. While sponsorships provide ITU with resources, they come with some risks. Sponsorship guidelines to address potential risks while maximizing the benefits from new sponsorship opportunities are provided [here](http://www.itu.int/en/council/Documents/2017/ITUSponsorshipguidelines.docx). The Council is invited to note these guidelines, and provide feedback.

**4 Revenue generation and savings to strengthen the ITU regular budget**

PP-14 (Res. 158 (Rev. Busan, 2014)) requested the Secretary-General to study and recommend to the Council, through the CWG-FHR, options for generating revenues. ITU management set up an internal group chaired by the Deputy Secretary-General and tasked it to study this topic and make proposals. These are provided at [**Annex 2**](#Annex2). This group has also identified savings to be made in relation to each of the items in PP-14 Decision 5, Annex 2. Through this effort a balanced budget 2016-2017 has been achieved. A separate document [[CWG-FHR 7/5](http://www.itu.int/md/S17-CLCWGFHRM7-C-0005/en)] addresses the efficiency measures achieved. The main savings opportunities being explored include possible centralization of administrative tasks, such as finance, HR, registration; co-location of events; a paperless ITU; and, further reductions of the number of established posts.

**5 Diversifying financial support**

Among the major changes in the international fundraising landscape in recent years is the growing role of major foundations. The CHF 2 million contribution from the Gates Foundation to support ITU’s work on digital financial services is a success to build upon. Foundations (and companies) often prefer to make their contributions to an entity which has recognized charitable status. This is the case in the United States, which is home to many large foundations. To help diversity funding sources, the secretariat is exploring the possibility of partnering with an entity which already has charitable status in the US to make it more attractive for US-based foundations (and companies) to support ITU projects and initiatives. If successful, ITU could potentially establish its own entity/special fund with charitable status in the US, as has been done by UNICEF and other UN agencies. This approach could also be explored in other countries.

**6 Conclusions**

Based on the discussion at Council-17, the plan outlined above will be enhanced and developed as the basis for improving the stability and the predictability of the financial base of the Union, integrating options for increasing revenues and as well as reducing costs.

ANNEX 1

PROPOSAL: Principles for Resource Mobilization

1. Defining the scope: “Resource Mobilization” in the context of ITU refers to all forms of raising revenues, including both regular budget revenues and extra-budgetary contributions.
2. Setting priorities: As ITU’s primary source of revenues, the top priority for Resource Mobilization is assessed contributions from ITU’s Member States. These contributions are provided to support an agreed Strategic Plan and its implementation through Operational Plans, using the ITU Regular Budget. Therefore, Member States are encouraged to prioritize their assessed contributions as their main financial support to ITU, either by maintaining or when possible, increasing these contributions before considering providing resources for activities outside of the ITU Regular Budget. To this end, the secretariat will encourage, to the extent possible, the support of entities outside of ITU’s membership for extra-budgetary, voluntary contributions, to complement resources provided by members.
3. Ensuring transparency: Opportunities for ITU membership and other entities to support additional activities through resource mobilization campaigns should be made known to the entire membership, and the benefits received by the partner/funder should be modest and in line with ITU rules and procedures, including protocol and common ITU practice.
4. Adhering to UN principles: To complement the support of its membership, ITU will accept funding from/partner with entities that exhibit behaviour which is in line with [UN principles](https://www.unglobalcompact.org/what-is-gc/mission/principles), including human rights, labour, environment, and anti-corruption. ITU shall apply due diligence screening process in line with [UN guidelines](https://business.un.org/en/documents/guidelines) and best practices when considering whether or not to accept funding from or partner with a non-ITU member entity.
5. Achieving ITU goals: The objective of funding (or in-kind contribution/partnership) arrangements must be consistent with the overall ITU goals as outlined in its Constitution and Convention and ITU Strategic Plan.
6. Clarifying roles and responsibilities: Funding/partner arrangements must be based on a clearly stated understanding of respective roles and expectations, with accountability and a clear division of responsibilities between ITU and the funder/partner.

7. Protection of ITU’s reputation: Funding/partnership arrangements must not diminish ITU’s integrity, independence and impartiality and must not confer any unfair advantage. In particular, they must not convey or suggest a direct or indirect endorsement of a funder/partner, its policies, products, or services. A clear distinction must also be made between resource mobilization/partnership and procurement.

ANNEX 2

Potential Areas for Revenue Generation

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| **Area of Focus** | **Actions** |
| **Market price for certain numbers + annual maintenance fee** | Complete market analysis on numbering resources: International numbering resources (e.g. E.164 Country Codes, SANCs,[[1]](#footnote-1) about ten types of numbers). Universal numbering resources (e.g. UIFN;[[2]](#footnote-2) about six types of numbers). Explore value-added services ITU could provide. |
| [**Combatting Counterfeit Maritime publications**](https://www.youtube.com/watch?v=9wjRXawJ1wk&feature=youtu.be) | Establish a pilot project. Agree on the issue to be addressed, the objectives, scope and schedule for pilot, e.g. combat counterfeit publications starting with Maritime publications. |
| **Revenues for projects** | Assess the evolving funding environment and strengthen ITU’s resource mobilization efforts for projects as part of preparations towards WTDC 2017. |
| **Increase the number of full-fee paying Sector Members** | Develop a list of top prospective companies and implement outreach strategy in coordination with Member States, focusing not only on ICT sector, but also automotive, health, and financial. |
| **Forum and events** | Analyse existing ITU events with high industry interest. Also conduct market research and analysis including benchmarking with the potential competition. |
| **Conformance** | Conduct analysis and research to identify possible revenue generation measures. |

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1. SANC: Service Access Network Code [↑](#footnote-ref-1)
2. UIFN: Universal International Free Number [↑](#footnote-ref-2)